

Message Text

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SUBJECT: PHILLIPS PETROLEUM CONCLUDES THREE COOPERATION
AGREEMENTS WITH USSR

1. SUMMARY: A PHILLIPS PETROLEUM TEAM, LEAD BY PHILLIPS
PRESIDENT WILLIAM DOUCE, FLEW BACK TO COMPANY HEADQUARTERS IN
OKLAHOMA SEPTEMBER 15 AFTER A HIGHLY SUCCESSFUL FIVE-DAY VISIT
TO THE USSR DURING WHICH THREE TECHNICAL COOPERATION AGREEMENTS
WERE SIGNED WITH THE SOVIET GOVERNMENT. TWO OF AGREEMENTS CALL
FOR COOPERATION IN EXPLORATION AND PRODUCTION OF PETROLEUM
RESOURCES AND SOVIETS HAVE INDICATED STRONG INTEREST IN USE OF
PHILLIPS TECHNOLOGY TO RECOVER OIL FROM OLDER OIL PRODUCING
AREAS OF USSR. END SUMMARY.

2. PROTOCOLS CONCLUDED DURING VISIT WERE:

(A) FRAMEWORK AGREEMENT WITH SCST WHICH CONTAINS USUAL
PROVISIONS IN SCST AGREEMENTS WITH WESTERN FIRMS AND ALSO
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PROVIDES FOR COOPERATION IN THREE SPECIFIC AREAS, EXPLORATION

AND DEVELOPMENT OF OIL DEPOSITS, SECONDARY AND TERTIARY RECOVERY OF OIL FROM AREAS ALREADY DEVELOPED, AND OFF-SHORE EXPLORATION AND DRILLING FOR OIL AND GAS;

(B) AGREEMENT WITH MINISTRY OF PETROLEUM INDUSTRY WHICH INCLUDES AREAS MENTIONED ABOVE IN SCST FRAMEWORK AGREEMENT;

(C) AGREEMENT WITH MINISTRY OF PETROLEUM REFINING AND PETROCHEMICAL INDUSTRY, WHICH CALLS FOR COOPERATION IN SEVERAL DIFFERENT AREAS, INCLUDING PLASTICS AND BUTADYNE RUBBER PRODUCTION.

3. DURING VISIT MEETINGS TOOK PLACE WITH MINISTRIES OF GEOLOGY AND CHEMICAL INDUSTRY AND IT IS POSSIBLE THAT SEPARATE AGREEMENTS WILL BE SIGNED WITH THESE MINISTRIES DURING NEXT SEVERAL MONTHS.

4. PHILLIPS OFFICIALS BELIEVE THAT INCLUSION OF PROVISIONS FOR COOPERATION IN OIL EXPLORATION AND DEVELOPMENT IN THEIR AGREEMENTS WITH SCST AND MINISTRY OF OIL INDUSTRY MAY BE UNIQUE AMONG SOVIET COOPERATION AGREEMENTS WITH WESTERN FIRMS. IDEA OF COOPERATION IN EXPLORATION AND DEVELOPMENT WAS FIRST PROPOSED DURING TALKS IN EARLY 1974. SOVIETS AT THAT TIME AGREED. AT END OF 1974 SCST REPS SAID SUCH COOPERATION WOULD BE "UNACCEPTABLE" AND PHILLIPS AGREED TO DROP IT. THREE MONTHS LATER, IN FEBRUARY 1975, SCST DID ANOTHER SWITCH AND REQUESTED THAT EXPLORATION AND DEVELOPMENT BE PUT BACK INTO THE TEXT. LATE IN AUGUST SOVIETS BEGAN TO POSE QUESTIONS, INDICATING THAT THEY AGAIN TURNING COLD ON IDEA. BY THIS TIME PHILLIPS WAS EXASPERATED AND PHILLIPS PRESIDENT DOUCE ADVISED THAT HE WOULD CANCEL PLANS TO COME TO MOSCOW FOR SIGNING UNLESS EXPLORATION AND DEVELOPMENT WERE INCLUDED. SOVIETS YIELDED AT LAST MINUTE.

5. ON ARRIVAL, PHILLIPS OFFICIALS FOUND SOVIETS VERY CORDIAL AND EAGER TO HAVE PHILLIPS SIGN AGREEMENT WITH MINISTRY OF CHEMICAL INDUSTRY AS WELL AS LIMITED OFFICIAL USE

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WITH SCST AND OIL INDUSTRY, ALTHOUGH LATTER TWO WERE ALL THAT HAD ORIGINALLY BEEN PLANNED.

6. IN DISCUSSING JUST WHAT COOPERATION IN EXPLORATION AND DEVELOPMENT OF OIL RESOURCES WILL MEAN, SOVIETS HAVE STRESSED THEIR INTEREST IN USING LATEST TECHNOLOGY TO OBTAIN MORE OIL FROM OLDER OIL PRODUCING AREAS OF USSR - TATAR ASSR, BASHKIR, CASPIAN AREA. PHILLIPS

OFFICIALS BELIEVE THAT RECOVERY FROM THESE AREAS COULD
EVENTUALLY EQUAL OR NEARLY EQUAL QUANTITIES THEY HAVE
ALREADY PRODUCED. AT DINNER HOSTED BY PHILLIPS ON
SEPTEMBER 12, SOVIETS ALSO PROPOSED THAT PAYMENT FOR
ANY ASSISTANCE IN PRODUCTION WOULD, OF COURSE, BE IN
SOVIET OIL.
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